



# Flexibilising the Labour Market: Who Wants to Loosen Employment Protection Legislation in Italy?

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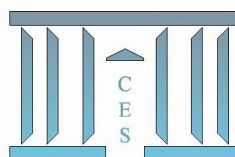
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**Flexibilising the Labour Market: Who Wants to Loosen  
Employment Protection Legislation in Italy?**

Maria Chiara MORANDINI

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## Flexibilising the Labour Market: Who Wants to Loosen Employment Protection Legislation in Italy?

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### *Abstract*

*This paper presents an explanatory analysis of the political economy of recent labour market reforms recently implemented in Italy. Analysing preferences for a general reduction in employment protection through 2011-13 ITANES survey data, results are partially in line with the insider-outsider theory: self-employed, retired people, managers, craft business and shop owners are in favour of such institutional change as are retired that are not concerned by this kind of reform. Support from “outsiders”, unemployed and atypical workers did not strongly emerge. Ideologically, positive opinions are widespread among right-wing voters whilst people feeling close to trade unions oppose it. Geographically, consensus is greater in the industrialised North-East of the country. Comparing our results with findings on voting behaviour in 2013, we advance the hypothesis that the current incumbents’ political strategy is not as paradoxical as it seems. At odds with the idea of socialist parties defending “insiders” unionised workers and in line with a generalised detachment between the working class and socialist parties, both the main leftist and centrist parties in the ruling coalition are in fact gaining consensus among the social groups that are the most favourable to labour market flexibilisation, making these policy consistent with an attempt to please these constituencies.*

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## I. Introduction

As many other capitalist societies, Italy has recently undergone a process of liberalization in several institutional domains (Thelen, 2014, Amable et al. 2012, Jackson and Deeg 2012, Rangone and Solari 2012, Baccaro and Howell 2001). Dramatic changes have recently occurred and are occurring in labour market regulation.

After ambiguous institutional changes, inspired by CMEs during the 1990s and by LMEs during the 2000s (Della Sala, 2004), during the current crisis, the last Berlusconi's government and the three governments after his, with Monti, Letta and Renzi as prime ministers, have progressively flexibilised the labour market. Labour market flexibilisation reforms were perfectly in line with the agenda of a right wing liberal government as Berlusconi's. They were explicitly part of Monti's mandate to implement the "essential measures" suggested by European institutions to overcome the Italian debt crisis. The last two governments led by the left-wing Democratic Party have implemented flexibilisation measures, as well.

While it is too soon to thoroughly evaluate the effects of the latest reform, the "Jobs act" seems to be negatively perceived by voters. According to a recent poll<sup>2</sup>, 50% of the interviewed believe that it will not improve employment while 28% consider it beneficial to the firms only and 20% detrimental to both employers and workers. In a 2012 poll Monti government's actions in the field of labour and social policies were negatively assessed by 70% of the interviewees<sup>3</sup>.

Yet, these apparently unpopular institutional changes were implemented leading to reverse Emmenegger (2013)'s question: why is it so "easy" to flexibilise the labour market, including reducing dismissal protection in contemporary Italy?

The aim of the paper is to analyse the political demand for labour market flexibilisation and investigate the apparent paradox of these labour market reforms under a coalition governments led by the major left wing party. In fact, in a dualised labour market as the Italian one, a centre-left party is supposed to protect the insiders, the unionised and protected workers, who should oppose a more flexible labour market (Rueda, 2005, 2006).

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<sup>2</sup> Published on Corriere della Sera, Novemebr, 23rd, 2014. Accessed at: <http://www.sondaggipoliticoelettorali.it/GestioneDomande.aspx>

<sup>3</sup> Retrieved from: <http://www.sondaggipoliticoelettorali.it/GestioneDomande.aspx>

Investigating the political demand can shed light on a second peculiar feature of these reforms, their unilateral character. In fact, despite fulfilling some the conditions for the emergence of social pacts in the literature (Ahlquist, 2010; Baccaro and Simoni, 2008; Baccaro and Ling, 2007, Natali, 2004), both Monti and Renzi's governments have adopted them unilaterally. One possible explanation provided stems from the decline in the power of trade unions (Culpepper and Regan, 2014).

Here we advance another evidence-based interpretation: the traditional left-wing constituency of unionised manual workers that, as insiders, should oppose this reform might not be at the centre of the social coalition the incumbent are seeking support from (Amable et al. 2012), at least with this specific policy measure.

The paper proceeds with a brief overview of the last institutional changes in the labour market and industrial relations realms in section II. Section III reviews the literature on preferences for labour market policies. Section IV presents the empirical analysis and section VI advances an interpretation of the results. Section V concludes.

## **II. The latest institutional changes in the Labour Market and Industrial relations system**

The deinstitutionalisation of labour market rules started at the end of the 1980s and deepened from the 1990s on (Rangone and Solari, 2012). After the cut in wage indexation and then its abolition in 1992, major changes occurred under a centre-left and centre-right government respectively: in 1997 the “Treu” law introduced temporary agency work and in 2003 “Biagi” law legalised a series of flexible contracts and deregulated part-time work. After the 2007 reregulation, which established that open-ended contracts are the main form of employment contract and limited short-term contracts renewal, in 2008 Berlusconi's government allows plant agreements to derogate from national legislation in contract termination. With the Fornero law (92/2012) under Monti's government and the Poletti decree (24/2014) and the so called “jobs act” law (92/2014) under Renzi's government, the labour market is being further flexibilised (see Table I in the appendix for a summary). Reflecting the result of the 2012 Fornero law, between 2012 and 2013 the OECD employment protection legislation (EPL) indicators for individual dismissal in regular employment passed from 2.76 to 2.51 and for collective

dismissal from 4.13 to 3.75.<sup>4</sup> In contrast with previous reforms, it increased exit flexibility by reducing the costs of collective dismissals and deregulating individual dismissals<sup>5</sup>.

Renzi's government has then further deregulated the use of fixed-term contracts with the so called "Poletti decree", and, more importantly, has introduced the "contratto a tutele crescenti", a single open-ended contract with employment protection increasing with tenure. Only temporary incentives to use this form of contract are provided in the form of three years reduction in social contribution. It also abolished only some types of atypical contracts which might lead to an overall increase in uncertainty on the labour market (Cappellari and Leonardi, 2015).<sup>6</sup> This new form of contract is not covered by the article 18 of the Workers' statute that imposes the worker's reinstatement to the firm after an illegitimate lay-off and which has been at the centre of the political debate for decades.<sup>7</sup> Reinstatement is instead substituted by monetary compensation increasing with tenure.

About its effectiveness on labour market outcomes, short term evidence is mixed: while according to multiple institutional data sources employment under open ended contracts has increased at the end of 2015<sup>8</sup>, Fana et al. (2015) show that this is mainly due to contract transformation rather than employment creation, contrary to OECD (2015a) forecasts. Fana et al. (2015) also show that more than 40% of new open-ended contracts are part time and guarantee lower monthly wages than old contracts did the year before.

The Jobs act was very much welcomed by Confindustria, the major business association, whose president regarded it as "going towards the right direction"<sup>9</sup>. The employers association has even expelled a firm that wanted to derogate from it and still guarantee the respect of article 18 to newly hired.<sup>10</sup> The three major trade unions have instead criticised it for de facto enhancing precarity<sup>11</sup> and have never been substantially involved in the reform process. Renzi's government, as its predecessors Monti's (Culpepper and Regan, 2014), has clearly adopted a unilateral strategy to implement important reforms:

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4 Source OECD: [goo.gl/z7ykX1](http://goo.gl/z7ykX1).

5 See the report Ministero del lavoro e delle politiche sociali (2014) « Il primo anno di applicazione della legge 92/2012 », Quaderno 1, 01/2014.

6 Cappellari and Leonardi (2015), <http://www.lavoce.info/archives/32503/quanta-instabilita-contratti-termine/>

7 See <http://www.lavoce.info/archives/30260/eterno-dibattito-articolo-18/>

8 Anastasia (2016), <http://www.lavoce.info/archives/40005/occupazione-dopo-lo-scalino-di-fine-2015/>

9 <http://goo.gl/vC1TAc>

10 <http://goo.gl/ck6V3F>

11 <http://goo.gl/X3yFWL>

the Minister of Labour Poletti declared “We will be listening but there will be no negotiation” (December 19th, 2014).<sup>12</sup>

Even though Italy is characterised by an overall high level of interest group pluralism (Lijphart, 2012), these recent institutional changes challenge some of the findings in the literature of social pacts. The degree of coordination in Italy evolved in a non-linear way: low in the 1960s and part of the 1980s, high levels were achieved in the 1970s, the period of the “political exchange” (Pizzorno in Baccaro and Simoni, 2008) marked by the approval of the Workers’ Statute. In the aftermaths of the 1992 crisis Italy seemed to move towards a more neo-corporatist system: to obtain the abolishment of wage indexation and two pension reforms aimed at the reducing public expenditure to access the Euro zone, the “technical” governments in 1992 and 1995 successfully engaged in tripartite negotiations. In 1994, trade unions acted as veto players determining the failure of the confrontational approach adopted by the first Berlusconi government (Natali, 2004). Then, in the 2000s, informal centralisation of industry and firm level bargaining by peak associations (one side, or only some unions) with or without government participation<sup>13</sup> prevailed while further social pacts became less and less effective (Regini and Colombo, 2009), until the “Pact for welfare” in 2007, as part of the leftist coalition political strategy.<sup>14</sup>

Since then, a tendency towards pluralism seems to emerge despite the presence of the conditions that usually lead to bargaining. High unemployment and pressure to enter the European Monetary Union are among the most important determinants of social pacts (Ahlquist, 2010), including the ones implemented in Italy in the 1990s.

Mutatis muntandins, these elements are present during the current crisis but have not led to tripartite bargaining process. The unemployment rate passed from 8.4% in 2011 to 12.2% in 2013 and pressure from the European Union was explicit in the letter addressed by M.Draghi and Trichet to the Prime Minister Berlusconi which contained a series of “essential measures” to be implemented, including decentralisation of the bargaining process and flexibilisation on the labour market.

It is also argued that social pacts arise in the presence of weak governments willing to find consensus in the corporatist arena (Baccaro and Simoni, 2008; Baccaro and Ling, 2007, Natali, 2004). This argument may not apply to Renzi, whose political strength

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12 Source: <http://goo.gl/NiRAUG>.

13 From ICTWSS database (<http://www.uva-aiaa.net/208>).

14 “The producers’ pact” in Amable, Guillaud and Palombarini (2012).

stems from the primary elections that made him the secretary of his party and his widespread consensus in the population, but it certainly holds for Monti's government, whose political party gathered only 8.3% share in 2013 elections.

How could a unilateral strategy be adopted, then? Culpepper and Regan (2014) suggest that the collapse of social partnership is due to the weakness of trade unions: they have lost their capacity to mobilize consent ("the carrot") and organize strikes ("the stick") and they have nothing to offer to policy makers. This is certainly an influencing factor and unions' weakening process is a phenomenon that reaches beyond the Italian case. Nonetheless, between 1970 and 2010 trade union density in Italy has declined by 4%, a negligible extent if compared to France (-64 %) or Germany (- 42%), and collective bargaining coverage remained unchanged at 85%. Case study evidence in manufacturing sectors also showed that social partners have maintained their bargaining role at the organisation level (Regalia and Colombo, 2016).

Here we propose a complementary approach that, tries to interpret the Italian pattern of liberalisation as stemming from the political coalition that currently dominates its political economy. A tough unilateral approach towards reforms, instead of engaging in tripartite bargaining, could be explained by the fact that the last three coalition governments are implementing a political strategy that excludes unionised workers (Amable et al., 2012; Häusermann and Gingrich, 2015).

After reviewing the literature on preferences for Labour market institutions, we will present an empirical analysis of the political demand for flexibilisation as expressed in 2011-2013 survey data and interpret the results.

### **III. On the preferences for labour market reforms**

As in other European countries, the progressive flexibilisation of the Italian labour market has originated a segmented system (Jackson and Deeg, 2012) creating an insider outsider divide that could translate into divergent political preferences.

The insider-outsider theory stems back from Doeringer and Piore (1971) who distinguished the internal labour market from the external and competitive labour market, based on the rigidity of pricing and allocation of labour rules. Skill specificity and on-the-job training would in fact make turn over costly and create the incentive for more rigid rules defining the internal labour market. According to Saint-Paul (2000) not only this microeconomic frictions but also rigid market institutions allow insiders to benefit from



rents to the detriment of unemployed<sup>15</sup> and highly skilled employees, living under the rules of the flexible outside market. Thus, labour is divided along the lines of both employment status and skill levels. Concerning reforms, Saint-Paul (2000) explains rather their absence as there would be a preference for the status quo and a self-entertaining circle of rents originating constituencies defending those rents. Flexibilisation is thus difficult, even if possible under favourable contingent conditions. For instance, when an economic crisis pushes insiders into unemployment, the outsiders' constituency increases in size and makes flexibilisation politically feasible.

Rueda (2005, 2006) also suggests that the insiders/outsiders divide shape preferences for active labour market policies (ALMP) and employment protection (EPL). The upscale class, mainly self-employed and managers, should oppose both labour market policies. Insiders, employed with full-time open-ended contracts or voluntarily with part-time or short term contracts, should be against ALMP and for EPL whilst outsiders, including unemployed, involuntarily part-time and short-term workers and students, would see in a reduction of EPL and increase in ALMP a chance to exit unemployment or precarious employment. Furthermore, about Italy Thelen (2014) argues that the allocation of greater resources to short-time work policies rather than active labour market policies would be the signal of a relative strength of the insiders compared to the outsiders.

Instead of relying on the employment status, Häuserman and Schwander (2011) advance an alternative conceptualisation of this divide based on occupation and social class rather than employment status at a specific point in time. They argue that this more subtle conceptualization of the insider-outsider status better explains individual preferences for different welfare policies.

Regarding the insider/outsider theory, evidence from a French survey on preferences for the introduction of the “contrat de travail unique” (CTU), equivalent of the Jobs act “contratto a tutele crescenti”, is mixed. Guillaud and Marx (2014) show that there is no significant cleavage in preferences between employees under open-ended and temporary contracts as claimed by this theory but, consistently with it, unemployed seem to support flexibilisation. Furthermore, being unionised appears to decrease support to the reform. Amable (2014) finds no support among the outsiders for this reform and concludes that this can be attributed to the fact that they might identify themselves with insiders if their chances to eventually get an open ended position are high. Retired and elder skilled

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15 In Saint-Paul's (2000) framework involuntary unemployment would not exist in a perfectly competitive labour market, in line with neoclassical economic theory.

employees seem to be supportive as not concerned or confident in their employment perspectives. Ideologically, left-wing voters seem to have a negative opinion on the CTU, as opposed to centre and right wing voters.

The French results offer an interesting insight on the Italian case: in 2013 more than 80% of new employment contracts were short-term ones, making it less probable for the Italian outsiders to identify with insiders even considering their employment perspectives. Thus, we expect the insiders/outside divide to emerge. As in France, we expect age to be a relevant factor as the young experience a particularly difficult employment situation: in 2013 the employment rate of 15-24 years old was only 16.8% against the average 55.7% and their unemployment rate (almost 30% among 18-29 years old) increased at a higher pace than for the rest of the active population (Ministero del lavoro, 2014).

#### IV. Empirical analysis

We use data from the ITANES inter-electoral survey from 2011 to 2013<sup>16</sup>. It covers 5,414 individuals interviewed via telephone through the CATI system. The panel was collected in five waves. Four waves include the question of interest: February-March 2011, May-June 2012, January-February 2013 and March 2013. The last wave does not include socio-economic questions and had to be excluded from the econometric analysis.

The question analysed asks 5,414 interviewees to express their agreement or disagreement with this claim: *"Firms should have greater freedom to hire and fire"*.<sup>17</sup> Answers range from 1 "I strongly disagree" to 5 "I strongly agree". This question is quite general, as it does not explicitly concern a specific policy measure and not directly policies to loosen employment protection legislation. Nonetheless, it reveals preferences for a change in the status quo and a change towards greater freedom for firms in the labour market.

In the following sections, we first present a descriptive statistics analysis of survey data, then, the results of two sets of models. Drawing from the literature, one set utilises employment status and the second set occupation as main explanatory variables for preferences on labour market flexibilisation. For both sets we compare results from a binary logit model, an ordered logit model and random effects ordered logit model.

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16 Source <http://www.itanes.org/>

17 Original question: *"Le leggerò ora alcune affermazioni su politica ed economia che vengono fatte correntemente. Mi dica per ognuna se lei è per niente, poco, abbastanza o molto d'accordo: Le imprese dovrebbero essere lasciate più libere di assumere e licenziare"*.

#### IV.I Descriptive statistics

As summarised in Table 1, the statement is overall opposed by on average 53.4% of the respondents disagree while 37.3% are in favour. This is somehow consistent with the unpopularity of the “Jobs act” reform in polls in the press, even if there is a slight increase in agreement through time.

**TABLE 1: Distribution of answers to “Firms should have greater freedom to hire and fire”**

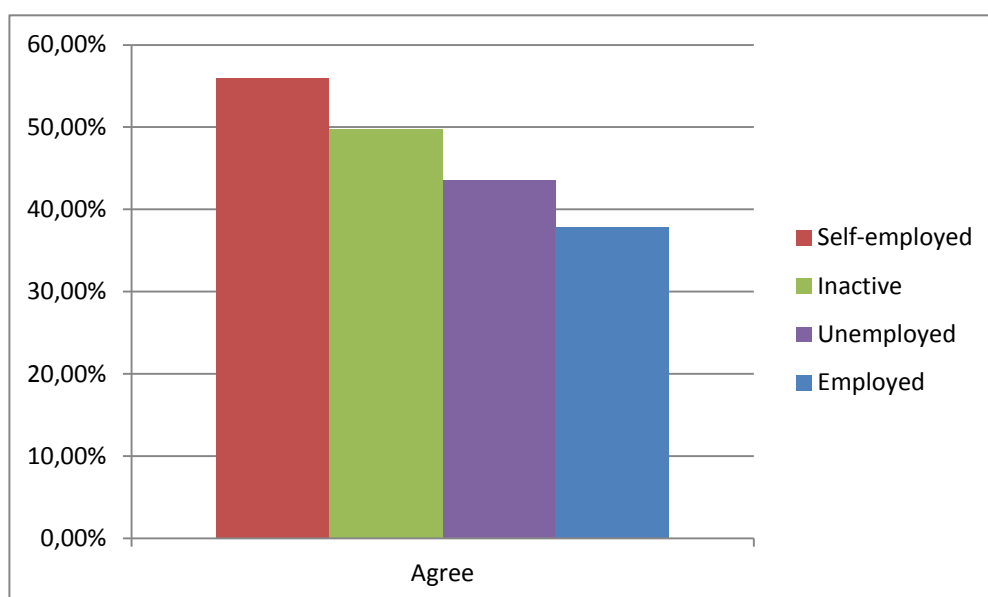
Waves	Dates	Government	Disagree	Agree
1	February-March 2011	Berlusconi	55.51%	44.49%
3	May-June 2012	Monti	53.09%	46.91%
4	January-February 2013	Monti/Letta	51.29%	48.71%
5	March 2013	Monti/Letta	53.84%	46.16%
<b>Average</b>			<b>53.43%</b>	<b>46.57%</b>

Concerning the distribution of preferences over employment status, data do not allow to disentangle part-time and full-time employees or workers bound by open-ended or short-term contracts. We therefore look at self-employed, employees, inactive and unemployed respectively. In Graph 1.1, we can see that the self-employed are the only category that shows an overall positive attitude towards greater dismissal freedom. Inactive people, mainly composed of retired people and housewives, are split in half with a slightly prevalent negative attitude. Both unemployed and employed individuals express a negative opinion. In line with Rueda (2005), the self-employed or “upscale” group, are in favour, whilst in contrast with the insider-outsider theory outsiders do not show support for greater flexibilisation. Disagreement is less widespread among unemployed but the majority of them oppose greater flexibilisation.

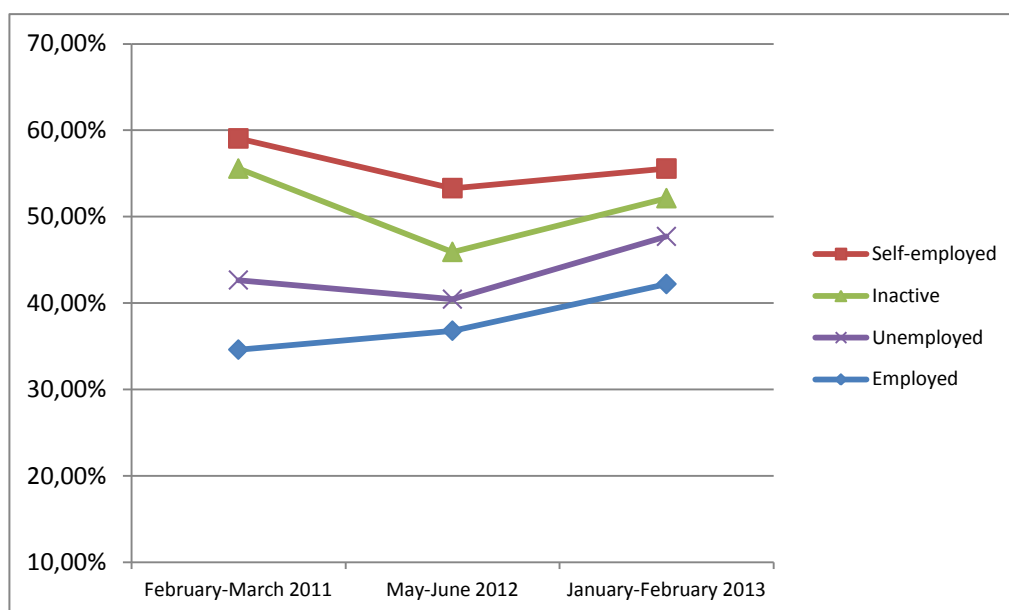
Trends in Graph 1.2 show an overall convergence towards greater consensus in all employment status categories. The majority of employed and unemployed remain nonetheless against.

Turning towards occupations, they were grouped following the ISCO-08 classification and we can see in Graph 2.1 that, along with managers, craft and sales workers are the categories that show a positive attitude, consistently with previous results: they are self-employed as in most of the cases they own their own shops or craft businesses. The majority of professionals, clerical workers, technicians and manual workers are instead against. Graph 2.2 shows that support has increased through time among professionals, managers, craft workers, clerical workers and manual workers. It has decreased among technicians and services workers.

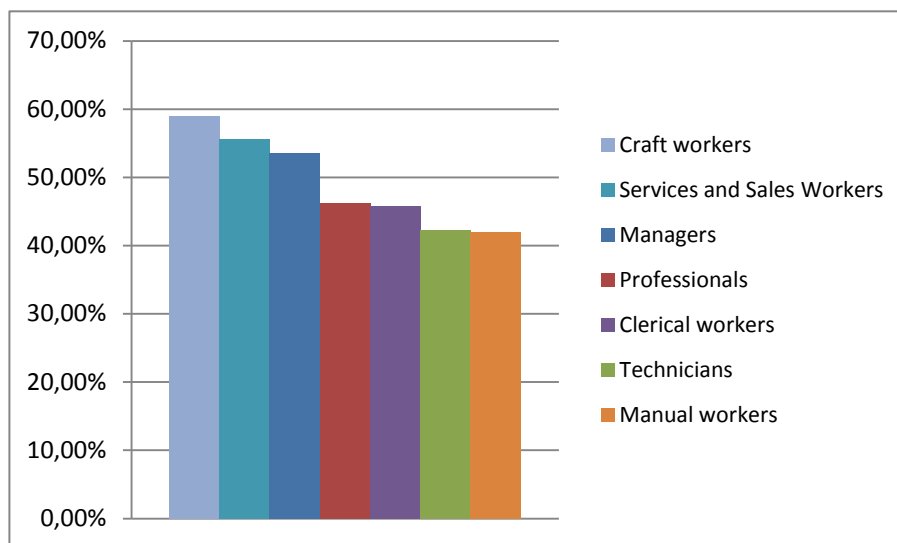
**Graph 1.1: Employment status and agreement on Labour Market flexibilisation: averages**



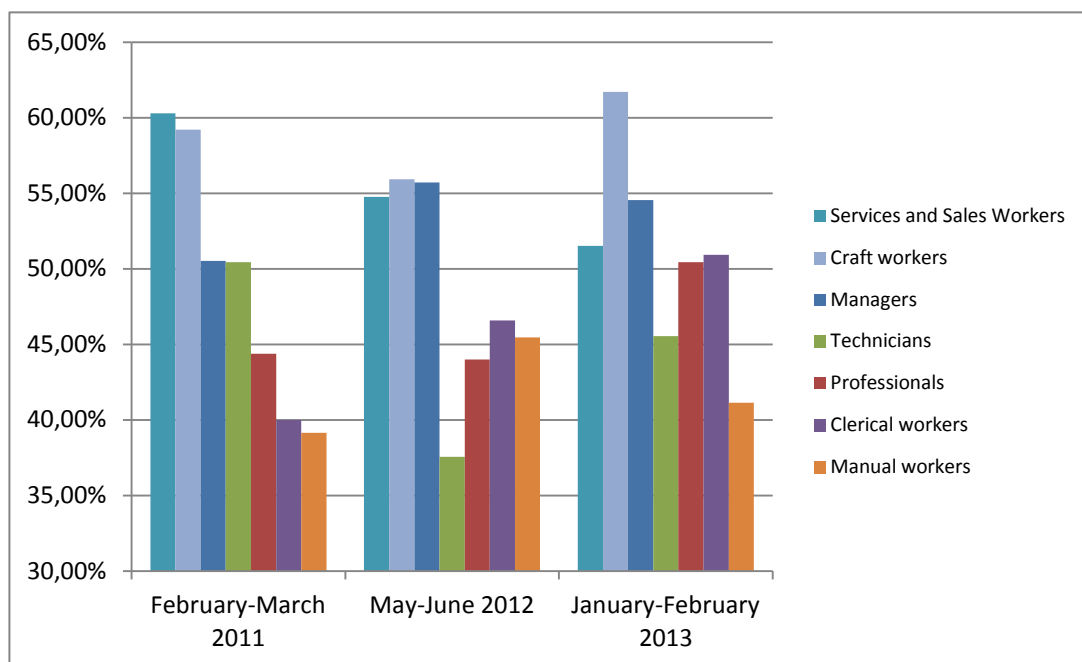
**Graph 1.2: Employment status and support for Labour Market flexibilisation: trends**



**Graph 2.1: Occupation and support for Labour Market flexibilisation: averages**

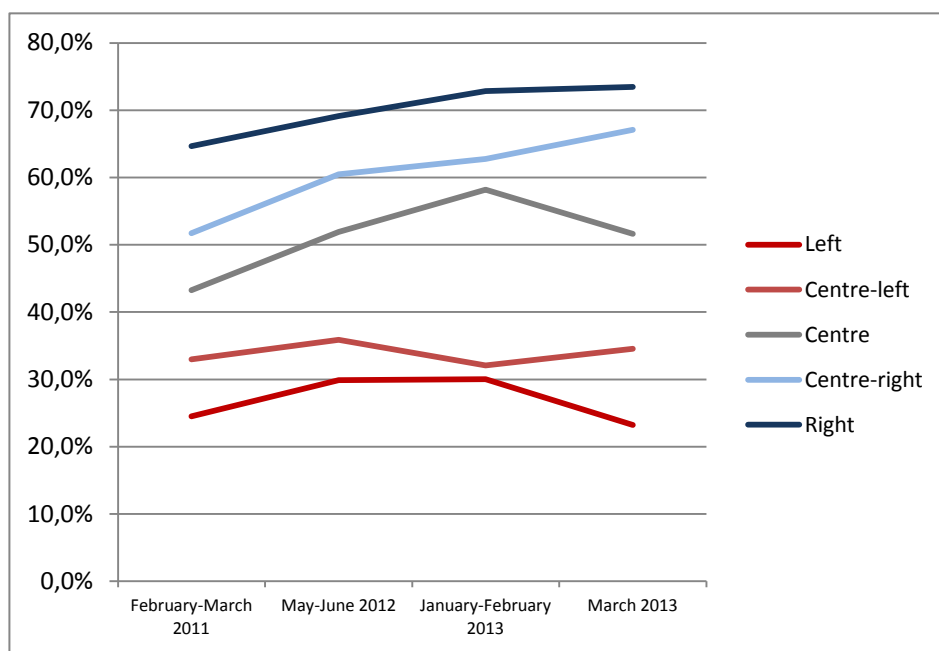


**Graph 2.2: Occupation and support for Labour Market flexibilisation: trends**



As ideology appears to influence preferences on labour market policies (Amable, 2014), we expect the respondents' ideological stands to be even more relevant given the general character of the question analysed. In fact, in Graph 3, we can see the percentage of people that agree or disagree and their self-placement on a political left-right scale. There is a clear cleavage between right and left-wing individuals. Disagreement is greater among people that declare a leftist political ideology, the opposite occurs for people on the centre and right of the spectrum. Furthermore, consensus has increased at the centre and right of the political spectrum while remaining stable at the left.

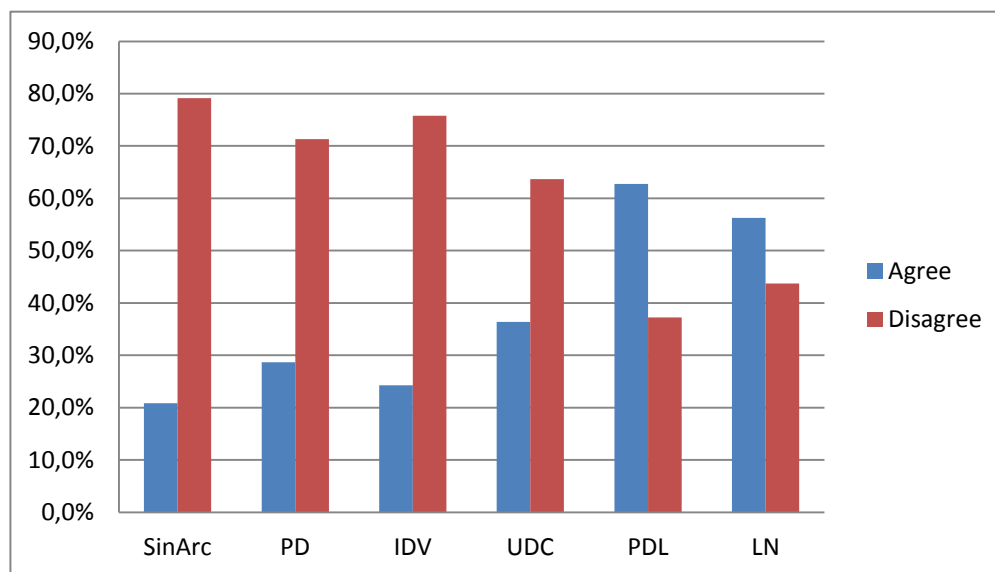
**Graph 3: Left-right self-placement and support for Labour Market liberalisation**



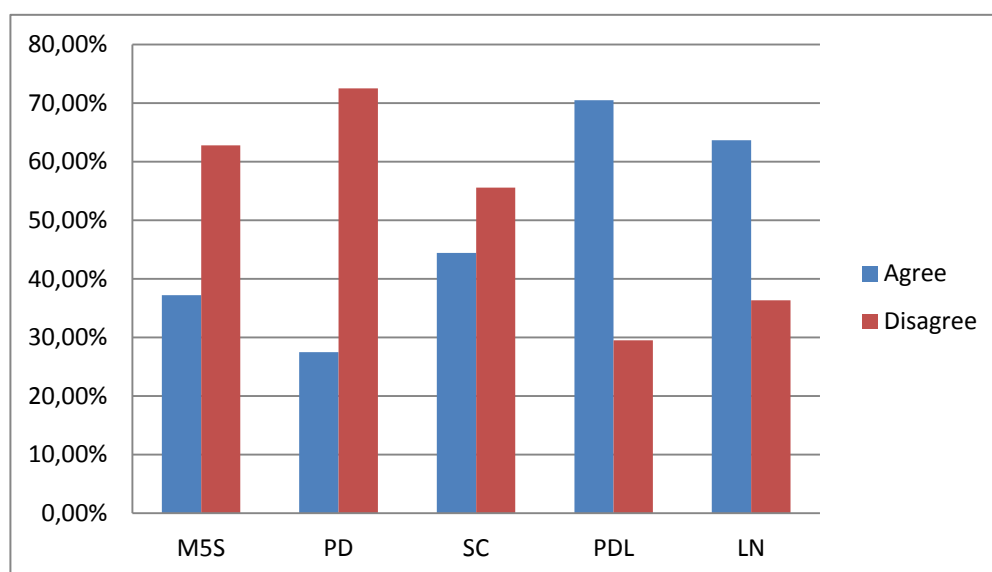
The ideological bias is also confirmed if we look at individuals' voting (Graph 4 and 5). In both 2008 and 2013 elections, only voters of the right wing parties Northern League and Berlusconi's People of Freedom are majorly in favour. In 2013 though, the relation between the left-right placement of the chosen party and the distribution of preferences became less of a linear one with the emergence of the third pole Five Stars Movement. This party was majorly voted by former centre-left supporters but is attracting an increasing number of voters from the centre-right, as well (Bordignon and Ceccarini, 2013).

Increasing flexibility in the labour market appears not only to be unpopular in general, but to face the opposition of the voters of the parties supporting governments that introduced liberal reforms. These policy measures do not please the constituencies of the Democratic Party (PD) supporting both Monti and Renzi's governments and of the centrist ones, Centre Union (Unione Di Centro) and Civic choice (Scelta Civica), the former supporting Monti's government and the latter being the party founded by him.

**Graph 4: 2008 Vote and support for Labour Market Liberalisation**



**Graph 5: 2013 Vote and support for Labour Market Liberalisation**

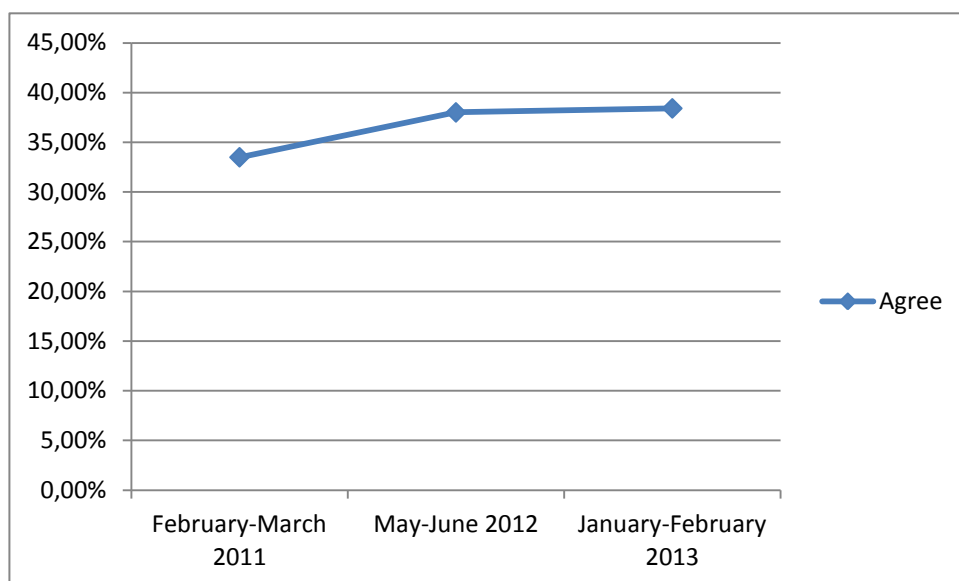


Lastly we turn towards trade union membership. Disagreement is slightly higher among Trade Unions members (67.4%) than average. Since a direct question on membership was only asked in 2013, to analyse trends we look at the following question:

*“On 0-10 scale, to what extent do you trust the following institutions? (0 means complete distrusts and 10 complete trust)”*.<sup>18</sup> People that replied from 6 to 10 are considered as having a positive attitude towards trade unions. Among them agreement is lower than average and slightly increasing.

<sup>18</sup> Author’s translation from Italian.

**Graph 6: Trust in Trade Unions and support for Labour Market Liberalisation**



Descriptive statistics confirm the unpopular character of an increase in business' freedom in the labour market but less controversial in time. Consensus increased in all categories but only self-employed and inactive people majorly support it. The insider-outsider divide does clearly emerge even if our operationalisation of the employment status is limited by the data. They also confirm an ideological bias, as only voters on the right-side of the ideological spectrum appear in favour. The econometric analysis that follows partially confirms these results and let new ones emerge.

#### **IV.II Ordered logit models and results**

Support for greater employers' liberty in hiring and firing is analysed in a binary logit model in which the dependent variable takes value 1 for "slightly agree" or "strongly agree" categories, 0 otherwise. We also use ordered logit models, without and with fixed effects.

Drawing from the literature on the insider/outsider divide, we present two sets of models, one using employment status as main independent variable (Table 2) and the other occupations (Table 3).

Employment status operationalised in five categories employed, self-employed, atypical, inactive and, unemployed. The data impose to use a restrictive definition of atypical workers: they include people working with very flexible contracts (Co.co.co. and occasional cooperation) or no contract at all, excluding other types of contracts considered atypical in the Italian system. We also include education levels and we control for age, gender and ideology as expressed by self-positioning on a 10 left-right scale



categorised as left (from 0 to 2), centre-left (3 and 4), centre (5), centre-right (6 and 7) and right (from 8 to 10). Being member of a trade union is also a factor that we need to control for. Lacking this direct information, we use a proxy: a dummy variable that takes value 1 when individuals answer positively to the question “How much trust do you have in Trade Unions?” showing at least some sympathy to their positions.

Lastly, as stressed by the OECD (2015b) in the 2015 Economic survey on Italy, the historical geographical divide has even deepened during the recession. We therefore control for the geographical areas North-West, North-East, Centre and South as defined by the national institute of statistics ISTAT. Empirically, the experience of diverse regional labour markets might lead to geographical clusters of standard errors for which we control for in all models as well.

In order to test for the other possible conceptualisation of the insider-outsider divide (Häuserman and Schwander, 2011), we run a second series of models (see TABLE 3) in which we use occupation instead of employment status as explanatory variable. All other controls are maintained.

To exclude multicollinearity among variables, we performed tests on polychoric correlation that allow us to consider the issue not relevant in our case (Table AII in the Appendix).

Results of the models on employment status (Table 2) confirm that being self-employed and inactive significantly influences a positive attitude compared to employees consistently throughout all models. Tuning towards the outsiders, being unemployed is also significant in showing agreement but the result is insignificant using the ordered logit model. Atypical workers do not seem significantly favourable. Because the question does not concern a reform that could reduce dualisation, atypical workers' position is not entirely surprising as they might consider their precarious condition the result of the current level of employers' freedom. This result had to be interpreted with caution as its robustness could be affected by the underrepresentation of this category in the data. Education levels are significant only when very low and not consistently in all models. Gender and, more surprisingly, age do not seem to play a role in shaping preferences. As expected, political ideology does influence the answers: compared to leftist, right-wing and centrist people agree with allowing firms greater freedom. Trusting trade unions is also a factor significantly related to disagreement. Geographical areas seem to influence preferences: people in North-Eastern Italy show support to a more flexible labour market as opposed to the Centre and the South. This result is not surprising as North-Eastern regions are highly industrialised and host mainly micro, small and medium enterprises, in

which employees could more likely have preferences closer to their employers' (Amable et al. 2014).

**TABLE 2: Estimation results of logit models with employment status**

	Binary Logit Model 1	Ordered Logit Model 2	Ordered Logit RE Model 3
<i>Employment status (ref: employed)</i>			
Self-employed	0.738*** (0.0842)	0.690*** (0.0962)	0.956*** (0.126)
Atypical	0.148 (0.315)	0.0841 (0.266)	0.220 (0.286)
Inactive	0.448*** (0.0683)	0.358*** (0.0536)	0.481*** (0.0519)
Unemployed	0.288** (0.134)	0.207 (0.134)	0.361** (0.151)
<i>Education level (ref: Middle School)</i>			
Elementary or lower	0.194*** (0.0528)	0.0733* (0.0402)	0.0980 (0.0789)
Professional degree	-0.0132 (0.0226)	-0.0302 (0.0436)	-0.0208 (0.0692)
Technical High School	-0.139** (0.0678)	-0.113 (0.0793)	-0.104 (0.125)
High School Diploma	-0.0840 (0.130)	-0.0239 (0.111)	-0.000376 (0.131)
University Degree	-0.00260 (0.0576)	0.0188 (0.0849)	0.0513 (0.107)
<i>Ideology (ref: Left)</i>			
Centre-Left	0.271*** (0.0961)	0.384*** (0.0654)	0.469*** (0.0793)
Centre	0.935*** (0.151)	0.987*** (0.176)	1.133*** (0.203)
Centre-Right	1.215*** (0.108)	1.313*** (0.144)	1.462*** (0.216)
Right	1.640*** (0.160)	1.671*** (0.190)	1.930*** (0.234)
Does not know	0.704*** (0.0673)	0.839*** (0.0271)	1.044*** (0.0665)
No answer	0.706*** (0.159)	0.817*** (0.140)	1.081*** (0.218)
<i>Trust Unions</i>	-0.431*** (0.135)	-0.428*** (0.122)	-0.504*** (0.148)
<i>Geographic area (ref: North-West)</i>			
North-East	0.101*** (0.00553)	0.0556*** (0.00749)	0.00773 (0.00634)
Centre	-0.0361*** (0.0105)	-0.0111 (0.00809)	-0.0778*** (0.00889)
South	-0.122*** (0.0123)	-0.0273** (0.0108)	-0.0931*** (0.0115)
<i>Female</i>	-0.0293 (0.108)	-0.0234 (0.104)	-0.0220 (0.135)
<i>Age</i>	0.00147 (0.00158)	0.00301 (0.00271)	0.00380 (0.00307)
<i>Wave</i>	0.157*** (0.0136)	0.158*** (0.0119)	0.216*** (0.0147)
Number of Obs	5336	5557	5557
Pseudo R2	0.0708	0.0409	
Wald Chi2	.	.	.

Notes: Standard errors in parentheses. \*  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

**TABLE 3: Estimation results of probit models with occupation**

	Binary Logit Model 4	Ordered Logit Model 5	Ordered Logit RE Model 6
<i>Occupation (ref. Manual workers)</i>			
Managers	0.519*** (0.0898)	0.652*** (0.0425)	0.971*** (0.122)
Professionals	0.357 (0.245)	0.491*** (0.180)	0.653** (0.260)
Technicians	0.160* (0.0881)	0.271*** (0.0591)	0.407*** (0.101)
Clerical workers	0.168 (0.151)	0.240* (0.131)	0.330** (0.161)
Sales Workers	0.498** (0.216)	0.515** (0.214)	0.809*** (0.228)
Craft workers	0.754*** (0.291)	0.833*** (0.323)	1.192*** (0.451)
<i>Education level (ref. Middle School)</i>			
Elementary or lower	0.245*** (0.0519)	0.118** (0.0547)	0.165* (0.0878)
Professional degree	-0.0689*** (0.0236)	-0.0832* (0.0438)	-0.0890 (0.0686)
Technical High School	-0.237*** (0.0639)	-0.204*** (0.0601)	-0.229*** (0.0784)
High School Diploma	-0.159 (0.122)	-0.108 (0.115)	-0.118 (0.114)
University Degree	-0.162** (0.0826)	-0.157** (0.0694)	-0.184** (0.0938)
<i>Ideology (ref. Left)</i>			
Centre-Left	0.272*** (0.102)	0.383*** (0.0679)	0.463*** (0.0821)
Centre	0.926*** (0.153)	0.987*** (0.176)	1.130*** (0.200)
Centre-Right	1.210*** (0.111)	1.313*** (0.145)	1.458*** (0.212)
Right	1.647*** (0.163)	1.685*** (0.188)	1.943*** (0.237)
Does not know	0.701*** (0.0540)	0.857*** (0.0381)	1.059*** (0.0665)
No answer	0.838*** (0.144)	0.902*** (0.114)	1.132*** (0.161)
<i>Trust Unions</i>	-0.408*** (0.138)	-0.403*** (0.127)	-0.487*** (0.152)
<i>Geographic area (ref. North-West)</i>			
North-east	0.111*** (0.00449)	0.0629*** (0.00850)	0.0199** (0.00776)
Centre	-0.0484*** (0.0134)	-0.0327*** (0.00904)	-0.0975*** (0.0121)
South	-0.114*** (0.0198)	-0.0316* (0.0174)	-0.0921*** (0.0168)
<i>Female</i>	-0.0424 (0.110)	-0.0460 (0.105)	-0.0572 (0.138)
<i>Age</i>	0.00232 (0.00214)	0.00385 (0.00338)	0.00427 (0.00286)
<i>Wave</i>	0.149*** (0.0132)	0.150*** (0.0116)	0.211*** (0.0159)
Number of Obs	5336	5557	5557
Pseudo R2	0.0674	0.0407	
Wald Chi2	.	.	.

Notes: Standard errors in parentheses.  $p < 0.05$ , \*\*  $p < 0.01$ , \*\*\*  $p < 0.001$ .

TABLE 3 shows the results of the models which include professional categories instead of employment status to explain preferences. Consistently with the insider-outsider theory, the “upscale class” (Rueda, 2005) composed of managers are in favour of greater dismissal flexibility and so are craft and shop owners. Professionals and clerical workers also show significant support in the ordered logit models. Education seems to have an inverse relation with support as higher educated groups tend to show disagreement. The other results are the same as in the first set of models.

## **V. Flexibilising the labour market from the left: an actual paradox?**

From the political supply side, in order to draw some conclusions on the political strategy adopted by the last three governments and particularly Monti’s and Renzi’s, it is necessary to look a posteriori at all measures adopted in a much more global manner. From the political demand side, voting behaviour is certainly not determined by one single policy measure. Here we focused one issue only, the flexibilisation of labour market, and the data only allows analysing general preferences for a change in the current situation but not for the specific reforms introduced. Nonetheless, despite being partial, the results obtained have some elements of interest.

Even if voters of the main parties members of the coalition in office, the Democratic Party (PD) and Civic Choice (SC), are ideologically opposed to greater dismissal flexibility, interestingly, the socio-professional categories that agree with this proposal coincide with the social groups the most relevant among respective voters in 2013.

In fact, Diamanti (2013) presents an analysis based on original data of the Italian’s voting behaviour during the last elections and shows that demographically, PD is gaining consensus particularly among seniors between 55 and 64 and over 65 years old where they gather 6.3 and almost 12 points more votes than in the whole population. Consistently, the socio-professional category the most represented in its constituency is composed of retired people followed by a wider category that includes managers and bureaucrats and, lastly, professionals. Conversely, blue collars and unemployed decreasingly vote for PD to the benefit of the 5 Stars Movement for which they represent two major components of its constituency.<sup>19</sup>

Retired, professionals and managers are also part of the categories that reveal a positive attitude towards labour market flexibilisation in our analysis. Turning towards the second component of the current majoritarian coalition in office, Civic Choice led by Monti, the

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<sup>19</sup> Similar results can be found in D’Alimonte (2013).

picture looks quite similar as retired, managers and professionals also vote more for the centrist parties than the national average.

Contrary to what Rueda (2005) hypothesised, a government led by a socialist party might reduce employment protection legislation, at least in the particular context of contemporary Italy. The ideological distance between the Democratic Party and the centrist parties seem to have reduced leaving room to the opposition party 5 Stars Movement to occupy the left side of the political offer (Conti, 2013). In this framework and limited to this specific policy measure it could be strategic for the incumbent coalition to please the “upscale” group, as growing component of the main parties’ constituencies. This is also in line with a stream of literature that has argued for an increasing loosening of the relationship between left wing parties and the working class in Western democracies (Boyer, 2010, Häusermann and Gingrich, 2015).

Our findings are certainly only a hint that at least in the field of employment protection legislation, the last government coalitions are moving towards a strategy that could be consistent with the emergence of a “bloc bourgeois” as argued by Amable et al. (2012). The centrist alliance that has supported the last three governments could have in fact strategically chosen to please the declared interests of big firms and the highest strata of society, excluding the interests of unionised manual workers. These social groups have gained strength in the respective constituency of the main incumbent parties, including the democratic one. If this new socio-political configuration is really emerging in Italy it is certainly too soon to say and goes beyond the scope of this paper. Nonetheless, our findings are consistent with this hypothesis.

## **VI. Conclusions**

This paper is an attempt to provide some insight on the progressive flexibilisation of the labour market that Italy has recently experienced. The last three governments, and in particularly Monti’s and Renzi’s, have reduced employment protection engaging in unilateral reforms that were warmly welcomed by the major business association and opposed by trade unions. The fact that coalition governments that heavily rely on the support of a centre-left party might seem paradoxical as socialist parties are usually considered the insiders’ defendant (Rueda, 2005).

Through an analysis of survey data on increasing firms’ freedom to hire and dismiss, we analysed individuals’ preferences for employment protection reduction. As expected according to insiders/outsiders theory self-employed and inactive are favourable to this

measure compared to employees. Outsiders as unemployed and atypical workers show some support is not always significant throughout the econometrics analysis. In terms of occupation, managers show a positive attitude along with self-employed owning their shops or craft businesses. Feeling some closeness to trade unions and being to left of the ideological spectrum increases chances of taking a negative stand on the statement. Lastly, support is stronger in the industrialised North-Eastern regions of the country.

Despite the apparent paradox that this kind of measure do not seem to encounter the favour of voters of two of the main incumbent parties, PD and SC, there is an interesting convergence among the social groups that support this measures and the ones that are gaining more strength within the respective constituencies.

This could be a sign of a political strategy that seeks support from a new social bloc that excludes unionised workers and includes the interests of big firms and higher strata of society as advance in Amable et al. (2012), at least in this specific policy domain.

Further research should look in a more encompassing way at the incumbent's global political strategy in other policy domains.

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## APPENDIX

**Table AI: Recent reforms in the Italian labour market**

Years	Governments	Main labour market interventions
2008-2011	Berlusconi IV (centre-right)	Legislative decree 176/2011: Reform of apprenticeship;  Law 148/2011: plant agreements can derogate from the national legislation <sup>20</sup> with respect to non discriminatory layoffs.  Law 183/2011: deregulation of contract arrangements in part-time work;
2012-2013	Monti (widespread coalition)	Law 92/2012 (Fornero Law): deregulation in individual dismissals, stricter regulation of some types of independent work, changes in the regulation of apprenticeship and fixed-term contracts; reregulation of part-time work, changes in the unemployment benefits scheme.
2013-2014	Letta (centre-left led widespread coalition)	Law 99/2013: temporary monetary incentives to hire young workers with open-ended contracts; deregulation of fixed-term contracts.
2014-	Renzi (centre-left led widespread	Law 34/2014 (Poletti decree): deregulation of fixed-term contracts with a cap on their use compared to open-ended contracts, changes in the regulation of

<sup>20</sup> <http://www.uniba.it/ricerca/dipartimenti/scienze-politiche/docenti/prof.ssa-lauralba-bellardi/bellardi-a.a.-2012-2013/art.-8-l.-148-2011.pdf>



	coalition)	<p>apprenticeship.</p> <p>Law 183/2014 (Jobs act): single open-ended contract with protection increasing with tenure; abolition of some atypical contracts; looser rules on jobs paid via hourly vouchers; deregulation of individual dismissals; reform of unemployment benefits and ALMP.</p>
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Source: Sacchi (2013) and <http://goo.gl/PNim9K>

**Table AII: Polychoric Correlation Matrix**

	Ordered preferences	Employment status	Occupation	Education	Trust Unions	Left- Right self- placement	Female	Geographic area
Ordered preferences	1	0,0675	0,0040	-0,0601	0,1975	0,2313	0,0035	-0,0108
Employment status	0,0675	1	0,5390	-0,2979	0,0504	0,3286	0,1801	0,1183
Occupation	0,0040	0,5390	1	-0,2988	0,0086	0,2384	0,2752	0,1163
Education	-0,0601	-0,2979	-0,2988	1	0,0822	-0,1783	-0,0802	0,0162
Trust Unions	-0,1975	-0,0504	-0,0086	0,0822	1	-0,3142	-0,0023	-0,0644
Left-Right self- placement	0,2313	0,3286	0,2384	-0,1783	0,3142	1	0,1521	0,0339
Female	0,0035	0,1801	0,2752	-0,0802	0,0023	0,1521	1	-0,0110
Geographic area	-0,0108	0,1183	0,1163	0,0162	0,0644	0,0339	-0,0110	1